



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 28, 2002

S. 2712 **Afghanistan Freedom Support Act of 2002**

*As ordered reported by the Senate Committee on Foreign Relations
on August 1, 2002*

SUMMARY

S. 2712 would authorize economic and military assistance to the government of Afghanistan for 2002 through 2005. The bill would authorize the appropriation of \$2.5 billion for humanitarian and economic assistance over the 2002-2005 period and \$1 billion for the International Security Assistance Force in the 2003-2004 period. In addition, the bill would authorize the President to use up to \$300 million from the resources of the Department of Defense to provide defense articles, defense services, and military education and training services to Afghanistan or to countries participating in military, peacekeeping, or policing operations in Afghanistan. CBO estimates that implementing S. 2712 would cost \$2.5 billion over the 2003-2007 period, assuming the appropriation of the necessary amounts. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

S. 2712 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2712 is shown in the following table. This estimate assumes the legislation will be enacted near the beginning of fiscal year 2003 and that amounts authorized for 2003, 2004, and 2005 will be provided in annual appropriation acts near the start of each fiscal year. Except as discussed below, we assume that outlays will follow historical spending patterns. While the bill would authorize \$500 million for 2002,

we assume that no additional funding will be provided in 2002 above the \$250 million provided in Public Law 107-206, Emergency Supplemental Appropriations and Rescissions Act, 2002. The costs of this legislation fall within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Afghanistan ^a						
Estimated Authorization Level	548	80	40	40	0	0
Estimated Outlays	443	315	150	84	38	13
Proposed Changes						
Estimated Authorization Level	0	1,400	1,200	650	0	0
Estimated Outlays	0	327	737	721	467	249
Spending Under S. 2712 for Afghanistan						
Estimated Authorization Level	548	1,480	1,240	690	0	0
Estimated Outlays	443	642	887	805	505	262

a. The 2002 level is the amount appropriated for that year. The estimated outlays include spending from an additional \$298 million transferred from the Emergency Response Fund for programs in Afghanistan. The estimated authorization level for 2003 through 2005 is for food aid to Afghanistan.

BASIS OF ESTIMATE

Title I would authorize the appropriation of \$500 million a year for 2003 and 2004 for economic assistance to Afghanistan. The funds may be used for urgent humanitarian needs, for repatriating and resettling refugees and internally displaced persons, for narcotics control programs, and for programs to establish a viable nation-state with a market economy. The mix of programs that might be funded with the authorized amounts is not specified in the bill. Rather, the determination of the programs and spending levels would be left to the President based on policy choices that have not yet been made. For this estimate, CBO assumes that in 2003 through 2005 the mix of programs will shift from the fast-disbursing humanitarian relief programs executed in 2002 to slower-spending economic assistance efforts.

The bill also would authorize the appropriation of \$500 million over the 2003-2005 period for an enterprise fund for Afghanistan, the largest ever undertaken. Enterprise funds are supposed to promote the private sector. Afghanistan is a very poor country with economic and security conditions inhospitable for large-scale private investment. Based on the experience of other enterprise funds, CBO estimates that it would take more than one year to establish the fund and that only one-tenth of the authorized amounts would be invested.

Title II would authorize the President to provide defense articles, defense services, and military education and training services to Afghanistan on such terms and conditions as he may determine but does not authorize a specific amount for this military assistance. CBO assumes that funding for this assistance would total \$300 million over the 2002-2003 period, an amount equal to the drawdown limit set by the bill, including the \$50 million provided in the emergency supplemental appropriation for Afghanistan.

Title II also would authorize the appropriation of \$500 million in 2003 and 2004 to expand the territory of operation of the International Security Assistance Force beyond Kabul. CBO assumes that enlarging the force would take up to six months and that the funds would be used for relatively rapid disbursing operations and maintenance activities necessary to keep an enlarged force in the field.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2712 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

COMPARISON WITH OTHER ESTIMATES

On April 16, 2002, CBO transmitted an estimate of H.R. 3994, the Afghanistan Freedom Support Act of 2002, as ordered reported by the House Committee on International Relations on March 20, 2002. The differences between the two estimates arise from different authorization amounts, a later assumed enactment date, and enactment of the Emergency Supplemental Appropriations and Rescissions Act, 2002.

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